

Fill in this information to identify the case:

Debtor Name James Samatas
 United States Bankruptcy Court for the: Northern District of Illinois
 (State)
 Case number: 20-17355

Official Form 426

**Periodic Report Regarding Value, Operations, and Profitability of Entities
 in Which the Debtor's Estate Holds a Substantial or Controlling Interest**

12/17

This is the *Periodic Report* as of 11/30/2020 on the value, operations, and profitability of those entities in which a Debtor holds, or two or more Debtors collectively hold, a substantial or controlling interest (a "Controlled Non-Debtor Entity"), as required by Bankruptcy Rule 2015.3. For purposes of this form, "Debtor" shall include the estate of such Debtor.

[Name of Debtor] holds a substantial or controlling interest in the following entities:

Name of Controlled Non-Debtor Entity	Interest of the Debtor	Tab #
Sambell of Bloomingdale, LP	One-Third	

This *Periodic Report* contains separate reports (*Entity Reports*) on the value, operations, and profitability of each Controlled Non-Debtor Entity.

Each *Entity Report* consists of five exhibits.

Exhibit A contains the most recently available: balance sheet, statement of income (*loss*), statement of cash flows, and a statement of changes in shareholders' or partners' equity (*deficit*) for the period covered by the *Entity Report*, along with summarized footnotes.

Exhibit B describes the Controlled Non-Debtor Entity's business operations.

Exhibit C describes claims between the Controlled Non-Debtor Entity and any other Controlled Non-Debtor Entity.

Exhibit D describes how federal, state or local taxes, and any tax attributes, refunds, or other benefits, have been allocated between or among the Controlled Non-Debtor Entity and any Debtor or any other Controlled Non-Debtor Entity and includes a copy of each tax sharing or tax allocation agreement to which the Controlled Non-Debtor Entity is a party with any other Controlled Non-Debtor Entity.

Exhibit E describes any payment, by the Controlled Non-Debtor Entity, of any claims, administrative expenses or professional fees that have been or could be asserted against any Debtor, or the incurrence of any obligation to make such payments, together with the reason for the entity's payment thereof or incurrence of any obligation with respect thereto.

This *Periodic Report* must be signed by a representative of the trustee or debtor in possession.

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The undersigned, having reviewed the *Entity Reports* for each Controlled Non-Debtor Entity, and being familiar with the Debtor's financial affairs, verifies under the penalty of perjury that to the best of his or her knowledge, (i) this *Periodic Report* and the attached *Entity Reports* are complete, accurate, and truthful to the best of his or her knowledge, and (ii) the Debtor did not cause the creation of any entity with actual deliberate intent to evade the requirements of Bankruptcy Rule 2015.3

For non-individual Debtors:

☒


Signature of Authorized Individual

James Samatas
Printed name of Authorized Individual

Date January 23, 2021
MM / DD / YYYY

For individual Debtors:

☒

Signature of Debtor 1

Printed name of Debtor 1

Date _____
MM / DD / YYYY

☒

Signature of Debtor 2

Printed name of Debtor 2

Date _____
MM / DD / YYYY

Debtor Name James Samatas

Case number 20-17355

Exhibit A: Financial Statements for Sambell of Bloomingdale, LP

See Attached

Debtor Name James Samatas

Case number 20-17355

Exhibit A-1: Balance Sheet for Sambell of Bloomingdale, LP as of [date]

[Provide a balance sheet dated as of the end of the most recent 3-month period of the current fiscal year and as of the end of the preceding fiscal year.

Describe the source of this information.]

See Attached

Debtor Name James Samatas

Case number 20-17355

Exhibit A-2: Statement of Income (*Loss*) for Sambell of Bloomingdale, LP for period ending [date]

[Provide a statement of income (*loss*) for the following periods:

(i) For the initial report:

- a. the period between the end of the preceding fiscal year and the end of the most recent 3-month period of the current fiscal year; and
- b. the prior fiscal year.

(ii) For subsequent reports, since the closing date of the last report.

Describe the source of this information.]

See Attached

Debtor Name James Samatas

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Exhibit A-3: Statement of Cash Flows for Sambell of Bloomingdale, LP for period ending [date]

[Provide a statement of changes in cash position for the following periods:

(i) For the initial report:

a. the period between the end of the preceding fiscal year and the end of the most recent 3-month period of the current fiscal year; and

b. the prior fiscal year.

(ii) For subsequent reports, since the closing date of the last report.

Describe the source of this information.]

None

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Exhibit A-4: Statement of Changes in Shareholders'/Partners' Equity (*Deficit*) for Sambell of Bloomingdale, LP for period ending [date]

[Provide a statement of changes in shareholders'/partners equity (*deficit*) for the following periods:

(i) For the initial report:

- a. the period between the end of the preceding fiscal year and the end of the most recent 3-month period of the current fiscal year; and
- b. the prior fiscal year.

(ii) For subsequent reports, since the closing date of the last report.

Describe the source of this information.]

None

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Exhibit B: Description of Operations for Sambell of Bloomingdale, LP

[Describe the nature and extent of the Debtor's interest in the Controlled Non-Debtor Entity.

Describe the business conducted and intended to be conducted by the Controlled Non-Debtor Entity, focusing on the entity's dominant business segments.

Describe the source of this information.]

Sambell of Bloomingdale is an Illinois Limited Partnership with an Illinois Corporate General Partner. Ownership is comprised of Trusts and individuals. The only interest it retains is real estate located in Bloomingdale, Illinois. The LP leases the property to an Illinois Corporation which operates a licensed skilled nursing facility. Sambell of Bloomingdale, Inc is the General Partner of Sambell of Bloomindale Limited Partnership

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Exhibit C: Description of Intercompany Claims

[List and describe the Controlled Non-Debtor Entity's claims against any other Controlled Non-Debtor Entity, together with the basis for such claims and whether each claim is contingent, unliquidated or disputed.

Describe the source of this information.]

None

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Exhibit D: Allocation of Tax Liabilities and Assets

[Describe how income, losses, tax payments, tax refunds, or other tax attributes relating to federal, state, or local taxes have been allocated between or among the Controlled Non-Debtor Entity and one or more other Controlled Non-Debtor Entities.

Include a copy of each tax sharing or tax allocation agreement to which the entity is a party with any other Controlled Non-Debtor Entity.

Describe the source of this information.]

There are no such agreements

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Exhibit E: Description of Controlled Non-Debtor Entity's payments of Administrative Expenses, or Professional Fees otherwise payable by a Debtor

[Describe any payment made, or obligations incurred (or claims purchased), by the Controlled Non-Debtor Entity in connection with any claims, administrative expenses, or professional fees that have been or could be asserted against any Debtor.

Describe the source of this information.]

No such payments

Lexington Health Network

Skilled Nursing Facilities Division

For the Period Nov-20 YTD

BLM - Bloomingtondale

Total Available Beds	142
Total Occupancy %	60%

Total Census Days	28,712
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Average Daily Census

Medicaid	66.1
Medicare	8.6
Managed Care	5.6
Private	5.3
Squares	-
Total Average Daily Census	85.7

Room and Board Revenue

Medicaid	\$ 4,381,799
Medicare	1,820,855
Managed Care	932,062
Private	611,004
Squares	
Total Room and Board Revenue	\$ 7,745,720

Ancillary & Other Revenue

Optum Capitated Revenue	\$ 181,375
Ancillary Revenue	91,487
Other Revenue	1,216,700
Total Ancillary & Other Revenue	1,489,563
Total Revenue	\$ 9,235,283

Controllable Expenses

Salaries, Benefits & Taxes

Salary - Nursing	\$ 3,178,349
Salary - Activities	98,122
Salary - Social Services	136,063
Salary - Dietary & Housekeeping	
Salary - Maintenance	43,560
Salary - Administration	351,124
Salary - Human Resources	41,993
Agency Fees	403,710
Benefits	299,349
Payroll Taxes	307,919
Total Salary, Benefits & Taxes	\$ 4,860,189

Operating Expenses - Controllable

Nursing Supplies & Services	\$ 472,220
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Lexington Health Network

Skilled Nursing Facilities Division

For the Period Nov-20 YTD

BLM - Bloomingtondale

Professional Fees - Nursing	34,390
Therapy Expense	501,027
Pharmacy Expense	201,895
Dietary & Housekeeping	1,170,008
Building & Maintenance	305,915
Activities & Social Services	4,286
Administration	310,526
Sales & Marketing	11,976
Communications	41,860
General Supplies	11,932
Bad Debt Expense	(6,943)

Total Controllable Operating Expense	\$ 3,059,091
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Total Controllable Expense	\$ 7,919,280
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Controllable Margin	\$ 1,316,003
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Operating Expenses - Non-Controllable

Computer Supplies & Service	\$ 122,316
Insurance	872,498
Professional Services	127,698
Real Estate Taxes	126,657

Total Non-Controllable Operating Expenses	\$ 1,249,170
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Contribution Margin	\$ 66,833
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Corporate Allocations

Shared Services	\$ 750,973
Management Fees	471,394

Total Corporate Allocations	\$ 1,222,367
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EBITDA	\$ (1,155,534)
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Interest Expense	\$ 333,785
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Net Income before Depreciation	\$ (1,489,318)
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Depreciation & Amortization	\$ 361,174
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Net Income	\$ (1,850,492)
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Profit Margin Analysis

Lexington Health Network

Skilled Nursing Facilities Division

For the Period Nov-20 YTD

BLM - Bloomingdale

Total Revenue	100.0%
Salary, Benefits & Taxes	52.6%
Controllable Operating Expenses	33.1%
Controllable Margin	14.2%
Non-Controllable Operating Expense	13.5%
Contribution Margin	0.7%
Corporate Allocations	13.2%
EBITDA	(12.5)%
Net Income Before Depreciation	(16.1)%
Net Income	(20.0)%

Lexington Health Care Centers and East Gate Manor

Combined Financial Report
December 31, 2019

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Independent Auditor's and Accountant's Report

RSM US LLP

To the Board of Directors and Partners
Lexington Health Care Centers and East Gate Manor

We have audited the accompanying combined financial statements of Lexington Health Care Centers and East Gate Manor (the Companies), which comprise the combined balance sheets as of December 31, 2019 and 2018, and the related combined statements of operations, stockholders' deficit, members' equity and partners' equity and cash flows for the year ended December 31, 2019, and the related notes to the these combined financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lexington Health Care Centers and East Gate Manor as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the year ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 2, there was a change in reporting entity effective September 2019. The change in reporting entity has been retrospectively applied to the accompanying financial statements as of and for the year ended December 31, 2018.

Report on 2018 Combined Statements of Operations, Stockholders' Deficit, Members' Equity and Partners' Equity and Cash Flows

The combined statements of operations, stockholders' deficit, members' equity and partners' equity and cash flows for the year ended December 31, 2018, were reviewed by us and our report thereon, dated May 22, 2019, stated that, based on our procedures, we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we did not express such an opinion.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined balance sheets as of December 31, 2019 and 2018, and the combined statements of operations, stockholders' deficit, members' equity and partners' equity and cash flows for the year ended December 31, 2019, as a whole. The accompanying supplementary information as of December 31, 2019 and 2018, and for the year ended December 31, 2019, is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information as of December 31, 2019 and 2018, and for the year ended December 31, 2019, is fairly stated in all material respects in relation to the financial statements as a whole.

The combining statements of operations, schedule of expenses – operator entities and combined statements of operations – by location information for the year ended December 31, 2018, were reviewed by us. We are not aware of any material modifications that should be made to that information in order for it to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the supplementary information or the financial statements as a whole. Accordingly, we do not express such an opinion. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it.

RSM US LLP

Chicago, Illinois
May 29, 2020

Lexington Health Care Centers and East Gate Manor

Combined Balance Sheets

December 31, 2019 and 2018

See Independent Auditor's and Accountant's Report

	2019	2018*
Assets		
Current assets:		
Cash	\$ 6,389,059	\$ 2,889,625
Restricted cash	141,514	218,995
Accounts receivable, net	16,252,613	13,724,560
Prepaid expenses and other	384,160	1,531,193
Due from related parties	245,491	490,743
Total current assets	23,412,837	18,855,116
Property and equipment, net	23,531,163	23,939,665
Due from related parties	2,064,374	4,446,711
Receivable from insurance recoveries	3,255,555	3,548,958
	5,319,929	7,995,669
	\$ 52,263,929	\$ 50,790,450
Liabilities and Stockholders' Deficit, Members' Equity and Partners' Equity		
Current liabilities:		
Accounts payable	\$ 5,359,003	\$ 2,803,712
Current maturities of note payable	669,221	296,292
Due to third-party payor	669,602	127,814
Amounts due on advance payments	2,256,800	-
Residents' credit balances	7,989,158	6,600,000
Due to related parties	239,746	173,015
Security deposits	169,798	133,347
Accrued expenses:		
Real estate taxes	2,152,452	2,028,936
Compensation	1,728,181	1,842,917
Insurance	1,183,442	987,699
Interest	192,993	220,244
Other	199,497	172,967
Total current liabilities	22,809,893	15,386,943
Other liabilities:		
Note payable, less current maturities	30,665,944	32,200,912
Stockholders' and partners' notes payable	5,651,909	5,321,053
Accrued management fees	5,800,077	5,821,420
Amounts due on advance payments	2,256,800	-
Professional liability claims	3,345,574	4,060,122
Due to related parties	39,837	90
	47,760,141	47,403,597
	70,570,034	62,790,540
Stockholders' deficit, members' equity and partners' equity	(18,306,105)	(12,000,090)
	\$ 52,263,929	\$ 50,790,450

See notes to combined financial statements.

* See notes 1 and 2 for change in reporting entity

Lexington Health Care Centers and East Gate Manor

Combined Statements of Operations

Years Ended December 31, 2019 and 2018

See Independent Auditor's and Accountant's Report

	2019 (Audited)	2018* (Reviewed)
Revenue:		
Net resident services	\$ 66,310,732	\$ 60,446,575
Other	1,474,793	1,515,586
	<u>67,785,525</u>	<u>61,962,161</u>
Expenses:		
Professional care	33,759,873	30,917,620
Dietary	4,764,048	4,056,677
Housekeeping and laundry	2,083,720	2,165,352
Building and utilities	4,398,628	4,252,043
Employees' health and welfare	4,586,866	3,949,594
General and administrative	12,967,096	12,440,949
Provision for uncollectible accounts receivable	2,508,007	2,050,048
Assessment fees and provider tax	1,609,958	1,582,695
Depreciation	1,695,055	1,706,582
Other	65,583	62,155
	<u>68,438,834</u>	<u>63,183,715</u>
Net loss from operations	<u>(653,309)</u>	<u>(1,221,554)</u>
Other (expense) income:		
Interest	(3,271,209)	(3,134,940)
Realized gain on termination of interest rate swap liability	-	390,647
Loss on early retirement of debt	-	(288,338)
	<u>(3,271,209)</u>	<u>(3,032,631)</u>
Net loss	<u><u>\$ (3,924,518)</u></u>	<u><u>\$ (4,254,185)</u></u>

See notes to combined financial statements.

* See notes 1 and 2 for change in reporting entity

Lexington Health Care Centers and East Gate Manor

Combined Statements of Changes in Stockholders' Deficit, Members' Equity and Partners' Equity

Years Ended December 31, 2019 and 2018

See Independent Auditor's and Accountant's Report

	Balance, January 1, 2018*	Net (Loss) Income	Balance, December 31, 2018* (Reviewed)	Net (Loss) Income	Net Uncollectible due from Related Parties net of Capital Contribution	Balance, December 31, 2019 (Audited)
Lexington Health Care Centers - Corporations						
Common stock, 21,000 shares authorized, 3,000 issued and outstanding at \$1 par value; 100,000 shares authorized, 20,000 issued and outstanding at no par value.	\$ 103,000	\$ -	\$ 103,000	\$ -	\$ -	\$ 103,000
Accumulated deficit	(17,998,819)	(4,891,623)	(22,890,442)	(3,484,463)	(886,435)	(27,261,340)
	(17,895,819)	(4,891,623)	(22,787,442)	(3,484,463)	(886,435)	(27,158,340)
East Gate Manor - Limited Liability Company						
Members' equity	592,204	139,499	731,703	52,404	-	784,107
Real Estate Entities - Limited Partnerships						
Partners' equity:						
General partner	95,578	4,980	100,558	(4,925)	(14,951)	80,682
Limited partners	9,462,132	492,959	9,955,091	(487,534)	(1,480,111)	7,987,446
	9,557,710	497,939	10,055,649	(492,459)	(1,495,062)	8,068,128
	\$ (7,745,905)	\$ (4,254,185)	\$ (12,000,090)	\$ (3,924,518)	\$ (2,381,497)	\$ (18,306,105)

See notes to combined financial statements.

* See notes 1 and 2 for change in reporting entity

Lexington Health Care Centers and East Gate Manor

Combined Statement of Cash Flows

Years Ended December 31, 2019 and 2018

See Independent Auditor's and Accountant's Report

	2019 (Audited)	2018* (Reviewed)
Cash flows from operating activities:		
Net loss	\$ (3,924,518)	\$ (4,254,185)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	1,695,055	1,706,582
Amortization of deferred financing costs	479,381	302,178
Loss on early retirement of debt	-	288,338
Realized gain on termination of interest rate swap liability	-	(390,647)
Provision for uncollectible accounts receivable	2,508,007	2,050,048
Interest expense added to stockholders' and partners' loans	330,856	190,053
Changes in:		
Accounts receivable	(5,036,060)	(3,853,030)
Prepaid expenses and other	1,147,033	(1,957,372)
Receivable from insurance recoveries	293,403	(1,194,202)
Accounts payable	2,555,291	101,008
Due to third-party payor	541,788	(387,753)
Residents' credit balances	1,389,158	1,350,847
Accrued expenses and other	218,910	2,036,892
Professional liability claims	(714,548)	535,921
Net cash provided by (used in) operating activities	1,483,756	(3,475,322)
Cash flows from investing activities:		
Purchases of property and equipment	(1,286,553)	(182,097)
Liquidation of investment in Lexington Financial Services, L.L.C.	-	353,507
Net cash (used in) provided by investing activities	(1,286,553)	171,410
Cash flows from financing activities:		
Repayments of line of credit	-	(1,466,000)
Repayments of notes payable	(1,641,420)	(31,352,504)
Borrowings on notes payable	-	38,197,066
Payments of financing costs	-	(1,481,585)
Payment to terminate swap agreement	-	(72,580)
Net repayments to related parties, net of uncollectible amounts due from related parties	352,570	(3,466,083)
Proceeds from advance payments	4,513,600	-
Net cash provided by financing activities	3,224,750	358,314
Net increase (decrease) in cash and restricted cash	3,421,953	(2,945,598)
Cash and restricted cash:		
Beginning of year	3,108,620	6,054,218
End of year	\$ 6,530,573	\$ 3,108,620
Reconciliation of cash and restricted cash:		
Cash	\$ 6,389,059	\$ 2,889,625
Restricted cash	141,514	218,995
Cash and restricted cash	\$ 6,530,573	\$ 3,108,620
Supplemental disclosure of cash flow information:		
Interest paid	\$ 2,967,604	\$ 2,963,124

See notes to combined financial statements.

* See notes 1 and 2 for change in reporting entity

Lexington Health Care Centers and East Gate Manor

Notes to Combined Financial Statements

See Independent Auditor's and Accountant's Report

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: The Companies own and operate long-term health care facilities and a supportive living facility which are located throughout the Chicago metropolitan area. These facilities provide services to residents generally from the Chicago and surrounding suburban areas.

Basis of combination: The combined financial statements include the accounts of four long-term health care facilities (Lexington Health Care Centers), one supportive living facility (East Gate Manor), and five real estate limited partnerships as listed below, referred to as the Companies. The Companies have substantially the same management and are included within the same financing agreements (Note 6).

Prior to September 2019 Lexington Health Care Center of Streamwood, Inc. and Sambell of Streamwood Limited Partnership (collectively, Streamwood) were also included in the financing agreements. These entities were sold in September 2019. See Note 2 for additional discussion of the impact of a change in reporting entity.

The Lexington Health Care Centers and East Gate Manor (Operator Entities) lease their premises and substantially all of their equipment from the real estate limited partnerships (Real Estate Entities). All significant intercompany transactions and balances have been eliminated.

Operator Entity	Real Estate Entity	Location	Number of Licensed Beds
Lexington Health Care Center of Bloomingdale, Inc.	Sambell of Bloomingdale Limited Partnership	Bloomingdale, Illinois	166
Lexington Health Care Center of Lombard, Inc.	Lexington Health Care Systems of Lombard Limited Partnership	Lombard, Illinois	224
Lexington Health Care Center of Orland Park, Inc.	Lexington Health Care Systems of Orland Park Limited Partnership	Orland Park, Illinois	275
Lexington Health Care Center of Schaumburg, Inc.	Sambell of Schaumburg Limited Partnership	Schaumburg, Illinois	214
East Gate Manor of Algonquin, LLC (A)	Samvest of Algonquin Limited Partnership	Algonquin, Illinois	119
(A) Supportive living facility.			

Use of estimates: The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Actual results could differ from those estimates.

Restricted cash: Restricted cash consists of cash held in escrow under a loan agreement.

Pledged cash: Cash includes amounts of \$903,000 and \$908,000 at December 31, 2019 and 2018, respectively, pledged to secure a letter of credit that is required under the Companies' and other related parties' workers' compensation policy.

Cash balances in excess of insured amounts: Each of the Companies' maintains its cash in accounts which, at times, may exceed federally insured limits. Management does not believe that this presents a significant credit risk to the Companies.

Lexington Health Care Centers and East Gate Manor

Notes to Combined Financial Statements

See Independent Auditor's and Accountant's Report

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Accounts receivable: The Companies grant credit to their residents and other payor sources. Generally, the Companies bill the residents and third-party payors monthly in arrears. Receivables are valued at management's estimate of the amount that will ultimately be collected. Interest is generally not charged on past due accounts.

The Companies consider the effects of resident credit risk and impact of government programs on credit risk for residents entering its long-term care facilities. Accordingly, accounts receivable are stated net of an allowance for doubtful accounts. The Companies provide an allowance for doubtful accounts on its outstanding receivables balance based on its collection history and an estimate of uncollectible accounts. Generally, accounts receivable are considered to be past due after 30 days. Accounts receivable are written off when deemed uncollectible on a specific-identification basis. For the years ended December 31, 2019 and 2018, the Companies recognized \$2,508,007 and \$2,050,048, respectively, in their combined statements of operations as a provision for bad debts.

Residents' credit balances: Residents' credit balances are overpayments or duplicate payments from third-party payors and residents that are due back to the payor source.

Revenue recognition: On January 1, 2019, the Companies adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)*, using the modified retrospective method. Under the modified retrospective method, 2019 is presented under Topic 606 while 2018 continues to be presented under ASU 954-605.

The five-step model defined by Topic 606 requires the Companies to: (1) identify the contracts with customers, (2) identify the performance obligations under those contracts, (3) determine the transaction prices of those contracts, (4) allocate the transaction price to the performance obligations in those contracts and (5) recognize revenue when each performance obligation under those contracts is satisfied. Revenue is recognized when promised goods or services are transferred to the residents in an amount that reflects the consideration expected in exchange for those goods or services. The adoption of ASU 2014-09 did not have a significant effect on the amount and timing of revenue recognition for the year ended December 31, 2019.

Resident services revenue: Resident services revenue is derived from providing healthcare services to residents in its long-term care facilities and basic housing and support to residents in its supportive living facility and is reported at the amount that reflects the consideration to which the Companies expect to be entitled in exchange for providing resident care and services. Other than private pay residents in the supportive living facility, these amounts are based on daily rates, which are generally fixed, and are due from residents and third-party payors, including Medicare, Medicaid and other health insurers. Services provided to private pay residents in the supportive living facility are based on monthly rates. The Companies determine the transaction price based on standard charges adjusted for explicit price concessions consisting of contractual adjustments provided to third-party payors. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Companies. Healthcare services represent a bundle of services that are not capable of being distinct; accordingly, the Companies have determined that the overall provision of a day of healthcare services to a resident in their long-term care facilities is one performance obligation. Additionally, there may be ancillary services that are not included in the daily rates. These services are considered separate performance obligations for which revenue is recognized as the services are provided.

Lexington Health Care Centers and East Gate Manor

Notes to Combined Financial Statements

See Independent Auditor's and Accountant's Report

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

For the period January 1, 2018 to September 30, 2019, healthcare services rendered to Medicare beneficiaries were reimbursed based on a classification system referred to as Resource Utilization Groups (RUG-IV). These rates are determined annually, and are based on the care needs of the resident and the type and intensity of therapy services provided to the resident. Beginning October 1, 2019, a new case-mix classification system for Medicare beneficiaries in skilled nursing facilities, the Patient Driven Payment Model (PDPM), replaced RUG-IV. PDPM relies more on clinically relevant factors rather than the volume-based therapy measures used under RUG-IV for determining Medicare reimbursement. In addition, PDPM per-diem payments are adjusted during a resident's stay to reflect varying costs throughout the time the resident is in the facility. This change in payment methodology did not have a significant impact on revenue received under the Medicare program for the year ended December 31, 2019.

To align with the Affordable Care Act (ACA), the Illinois Department of Healthcare and Family Services (HFS) has contracts with Managed Care Organizations (MCOs) to provide an Integrated Care Program (ICP) for Medicaid residents. In addition, HFS and the Centers for Medicare and Medicaid Services (CMS) jointly implemented the Medicare-Medicaid Alignment Initiative (MMAI), for Medicare and Medicaid full-benefit dual-eligible residents. The Companies have entered into contracts with MCOs for certain residents covered by ICP and MMAI.

For services provided to residents covered by either of the Medicaid, ICP, or MMAI (custodial portion) programs, reimbursement through HFS and the MCOs is typically based on a daily rate, which may be recalculated quarterly, based on three components: capital, support and nursing. The capital and support components are determined by annual cost report filings. The nursing component is calculated using resident clinical documentation.

Third-party payor agreements include the potential for retroactive revenue adjustments due to settlement of audits, reviews and investigations. These retroactive settlements are considered variable consideration and are included in the determination of the estimated transaction price for providing resident care. Estimated settlements are adjusted in future periods as adjustments become known. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates of variable consideration may change.

Other operating revenue: Other operating revenue consists of amounts that are incidental to the operations of the Companies' facilities and includes activities such as beauty and barber shop services, guest meals, and other miscellaneous items. These services generally have fixed prices and are considered distinct performance obligations, which are satisfied as the goods or services are provided. Accordingly, revenue is recognized in accordance with the provisions of Topic 606 as the performance obligations are satisfied.

Property and equipment: Property and equipment are stated at cost, minus accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the property and equipment. The estimated useful lives range from 10 to 40 years for building and improvements and 3 to 10 years for equipment and furnishings.

Lexington Health Care Centers and East Gate Manor

Notes to Combined Financial Statements

See Independent Auditor's and Accountant's Report

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Income taxes: The Companies are not subject to federal income taxes because their income and losses are includable in the returns of the S-Corporations' stockholders, the members of the limited liability companies and the partners of the partnerships, as applicable, but the Companies may be subject to certain state taxes. The FASB has provided guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the entities' tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable taxing authority. Management has determined that there are no material uncertain income tax positions that would require disclosure or adjustment.

Tax returns filed by the entities generally are subject to examination by U.S. and state taxing authorities for years ended after December 31, 2015.

Impairment of long-lived assets: The Companies consider whether indicators of impairment of long-lived assets are present and perform the necessary tests to determine if the carrying value of an asset may not be recoverable. Impairment write-downs are recognized in operating income at the time the impairment is identified. No indicators of impairment were identified during the years ended December 31, 2019 and 2018.

Interest rate swap agreement: The Companies maintained an interest rate risk-management strategy that used an interest rate swap agreement to minimize significant, unanticipated earnings fluctuations caused by interest rate volatility. The Companies' specific goal was to lower (where possible) the cost of its borrowed funds. This swap agreement was terminated in May 2018. The termination of the interest rate swap agreement is recorded in the 2018 combined statement of operations as realized gain on termination of interest rate swap liability.

Deferred financing costs: Costs related to debt financing are capitalized and amortized over the life of the related debt, using a method that approximates the effective interest method. These costs are presented as a direct reduction of notes payable on the combined balance sheets.

Reclassifications: Certain prior period amounts have been reclassified to conform to the current period presentation with no effect on previously reported stockholders' deficit, members' equity and partners' equity or net loss.

Recent accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard replaced most existing revenue recognition guidance in U.S. GAAP. The Companies adopted ASU 2014-09 on January 1, 2019.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. The Companies adopted ASU 2016-15 on January 1, 2019, without significant effect on the combined financial statements.

Lexington Health Care Centers and East Gate Manor

Notes to Combined Financial Statements

See Independent Auditor's and Accountant's Report

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 was effective for the Companies beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method. The Companies have adopted and applied this ASU for the year ended December 31, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in *Topic 840, Leases*. Under this new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The new standard is effective for the Companies' December 31, 2021, combined financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the combined financial statements, with certain practical expedients available. The Companies are currently evaluating the impact of the pending adoption of the new standard on the combined financial statements.

Subsequent events: The Companies have evaluated subsequent events for potential recognition and/or disclosure through May 29, 2020, the date the combined financial statements were available to be issued. See Note 12 for description of specific subsequent event.

Note 2. Change in Reporting Entity

As discussed in Note 1, the Companies are all related through common management and owners and are included within the same financing agreement. With the sale of Streamwood in September 2019, Lexington Health Care Center of Streamwood, Inc. was released from the credit and security agreement for the revolving line of credit and Sambell of Streamwood Limited Partnership was released from the credit and security agreement for the note payable (see Note 6). Accordingly, there was a change in reporting entity for the Companies, and the 2018 financial statements have been recast to exclude Streamwood. For the year ended December 31, 2018, net loss from operations decreased \$1,341,765 and net loss decreased \$2,194,933 with the change in reporting entity to exclude Streamwood. Net loss would have increased approximately \$3,440,267 had Streamwood been included in the combined financial statements for the year ended December 31, 2019.

Amounts due from Streamwood of \$2,381,497 were deemed uncollectible and as such have been reclassified from assets to an increase in stockholders' deficit, members' equity and partners' equity for the year ended December 31, 2019.

Lexington Health Care Centers and East Gate Manor

Notes to Combined Financial Statements

See Independent Auditor's and Accountant's Report

Note 3. Resident Services Revenue and Accounts Receivable

Accounts receivable for resident services revenue are presented net of contractual discounts and estimated uncollectible accounts. Contractual discounts are related to residents covered by Medicare, Medicaid and private insurance. The allowance for doubtful accounts is an estimate of amounts that will not be collected from private pay residents and third-party payors.

Accounts receivable net of contractual discounts and net of allowance for doubtful accounts, are as follows at December 31:

	2019	2018
Accounts receivable	\$ 23,730,115	\$ 22,486,668
Allowance for doubtful accounts	(7,477,502)	(8,762,108)
Accounts receivable, net	<u>\$ 16,252,613</u>	<u>\$ 13,724,560</u>

The Companies have determined that the nature, amount, timing and uncertainty of resident services revenue and cash flows are primarily affected by the method of reimbursement.

Resident services revenue, net of contractual discounts, by major payor class, was as follows for the years ended December 31:

	2019		2018	
	Revenue	Percent	Revenue	Percent
Medicare	\$ 17,917,204	27.0%	\$ 16,996,819	28.1%
Medicaid	8,116,994	12.2%	7,725,799	12.8%
Managed care	30,604,269	46.2%	24,862,081	41.1%
Private pay and other	9,672,265	14.6%	10,861,876	18.0%
	<u>\$ 66,310,732</u>	<u>100.0%</u>	<u>\$ 60,446,575</u>	<u>100.0%</u>

In July 2019, the Companies entered into advance payment agreements with the Illinois Department of Healthcare and Family Services, Bureau of Long Term Care (Department). The Department advanced funds to the Companies to offset cash flow issues related to delays in the processing of facility residents' applications for Medicaid eligibility by the Department. The total advance payments were \$4,513,600 with the amount to be repaid in twelve monthly installments of approximately \$376,000 beginning in January 2020. In January 2020, the Department gave an extension until April 15, 2020. However, in April 2020, the Department extended the start date for providers to begin submitting repayments to the State to July 15, 2020. No interest will be incurred related to these advance payments by the Department. The Companies have current and non-current advances under the advance payment agreements of \$2,256,800 and \$2,256,800, respectively, at December 31, 2019.

Lexington Health Care Centers and East Gate Manor

Notes to Combined Financial Statements See Independent Auditor's and Accountant's Report

Note 4. Concentrations of Credit Risk

The Companies grant credit without collateral to their residents for amounts due under resident agreements, many of whom are insured under third-party agreements. The Companies are exposed to credit risk on these receivables.

The mix of receivables from residents and third-party payors at December 31, 2019 and 2018, was as follows:

	2019		2018	
	Receivable	Percent	Receivable	Percent
Medicare	\$ 1,618,327	6.8%	\$ 1,521,238	6.8%
Medicaid	2,294,207	9.7%	2,246,598	10.0%
Medicaid pending	6,790,775	28.6%	7,442,005	33.1%
Managed care	5,192,819	21.9%	4,589,560	20.4%
Private pay and other	7,833,987	33.0%	6,687,267	29.7%
	<u>\$ 23,730,115</u>	<u>100.0%</u>	<u>\$ 22,486,668</u>	<u>100.0%</u>

Note 5. Property and Equipment

Property and equipment at December 31, 2019 and 2018, consists of:

	2019	2018
Land and improvements	\$ 4,154,116	\$ 3,882,828
Building and improvements	50,033,938	49,767,128
Equipment and furnishings	6,159,249	5,835,135
Construction in progress	424,341	-
	<u>60,771,644</u>	<u>59,485,091</u>
Accumulated depreciation	<u>(37,240,481)</u>	<u>(35,545,426)</u>
	<u>\$ 23,531,163</u>	<u>\$ 23,939,665</u>

Note 6. Notes Payable

Notes payable at December 31, 2019 and 2018, consist of:

	2019	2018
Note payable to MidCap Financial, LLC, interest due monthly at LIBOR plus 5.25% (7.0% at December 31, 2019 and 2018)	\$ 32,015,646	\$ 33,657,066
Current maturities	(669,221)	(296,292)
Unamortized deferred financing costs	(680,481)	(1,159,862)
	<u>\$ 30,665,944</u>	<u>\$ 32,200,912</u>

Lexington Health Care Centers and East Gate Manor

**Notes to Combined Financial Statements
See Independent Auditor's and Accountant's Report**

Note 6. Notes Payable (Continued)

Stockholders' and partners' notes payable at December 31, 2019 and 2018, consist of:

	2019	2018
Unsecured stockholders' and partners' loans due on demand; however, stockholders and partners have agreed to forbear collection through January 1, 2021.	<u>\$ 5,651,909</u>	<u>\$ 5,321,053</u>

Prior to May 29, 2018, the Companies had notes payable through a related party in which the Companies held equity interests which were accounted for using the equity method, Lexington Financial Services, L.L.C. (LLC). LLC had issued bonds with a portion of the proceeds loaned to the Companies at the same terms as the bonds. In conjunction with the bonds, LLC also entered into an interest rate swap agreement, and the Companies entered into an agreement with LLC under the same terms as LLC's interest rate swap agreement.

Effective with the financing described below, the notes payable to LLC were paid in full and LLC retired their outstanding bonds. During the year ended December 31, 2018, LLC was dissolved and its assets were distributed to the Companies in the amount of \$353,507, the Companies expensed the unamortized balance of deferred financing costs related to the LLC note payable in the amount of \$288,338, which is included in the combined statement of operations as loss on early retirement of debt, and the interest rate swap was terminated, resulting in a realized gain of \$390,647.

Effective May 29, 2018, the Real Estate Entities collectively entered into a credit and security agreement with MidCap Financial, LLC (MidCap). Under the terms of the agreement MidCap funded \$40,000,000 to refinance the outstanding debt of the Real Estate Entities, and pay certain closing costs. The credit and security agreement also includes an incremental \$2,000,000 for capital improvements that can be drawn as improvements are made. The loan bears interest at LIBOR plus 5.25% with interest only payments due during the first 12 months after which principal and interest are due monthly based on a 25-year amortization. The agreement has a term of 3 years from its effective date, with an option to extend for an additional 12 months provided certain conditions are met.

Effective July 10, 2018, MidCap assigned a portion of its rights under the credit and security agreement to Synovus Bank. As a result of the assignment, the Real Estate Entities executed a term loan with Synovus Bank, with the same terms as MidCap, in the amount of \$37,000,000.

The Real Estate entities are required to make a monthly deposit of \$36,833 into a capital replacement reserve. These amounts are available to reimburse the Real Estate Entities for capital improvements with prior approval by the lender. At December 31, 2019 and 2018, the balance held in escrow for the capital replacement reserve was \$141,514 and \$218,995, respectively. The amounts are classified as restricted cash in the accompanying balance sheets.

Also effective May 29, 2018, the Operator Entities entered into a credit and security agreement with MidCap for a revolving line of credit. The borrowing base is based on 85% of eligible accounts receivable, as defined, up to a maximum of \$8,000,000. The line bears interest at LIBOR plus 4.50% and has a term of 3 years from its effective date. There were no borrowings on the line of credit at December 31, 2019 and 2018. The Operating Entities are required to meet certain requirements, as defined, under the credit and security agreement to draw on the line of credit. At December 31, 2019, those requirements were not met. The Companies' ability to borrow on the line of credit subsequent to December 31, 2019, may be limited if the Companies are unable to meet these requirements.

Lexington Health Care Centers and East Gate Manor

Notes to Combined Financial Statements

See Independent Auditor's and Accountant's Report

Note 6. Notes Payable (Continued)

The credit and security agreements are secured by substantially all assets of the Companies and include certain covenants.

Future maturities of long-term debt are as follows:

Year ending December 31:

2020	\$ 669,221
2021	31,346,425
	<u>\$ 32,015,646</u>

Note 7. Assessment Fees and Provider Tax

The Lexington Health Care Centers are required to pay to the Illinois Department of Healthcare and Family Services (HFS) a licensure fee of \$1.50 for each available licensed bed day. The revenue generated from this fee is used by HFS to fund Medicaid reimbursements for the 12-month period beginning each July 1. Fees were \$481,253 for the years ended December 31, 2019 and 2018.

The Lexington Health Care Centers are also required to pay a provider tax which is \$6.07 for each occupied bed day, excluding occupied bed days for Medicare residents. The revenue generated from the provider tax along with funds from the federal match is used to fully fund the nursing component of the Medicaid reimbursement rate, the nursing component being based on the minimum data set (MDS). For the years ended December 31, 2019 and 2018, the Companies have recorded provider tax expense of \$1,128,705 and \$1,101,442, respectively.

Note 8. Related Parties

Related-party balances and transactions as of and for the years ended December 31, 2019 and 2018 consists of:

Relationship	Description	2019	2018
Related-party relationships:			
Stockholders and partners	Notes payable	\$ 5,651,909	\$ 5,321,053
Corporation with common ownership	Accrued management fees	5,800,077	5,821,420
Various companies with common ownership	Due from related parties	2,309,865	4,937,454
	Due to related parties	279,583	173,105
Multi-company captive	Retrospective assessments	754,028	700,157
Retirement community with common ownership	Accounts receivable	16,830	284,053
Related party transactions:			
Stockholders and partners	Interest expense	330,855	319,902
Various companies with common ownership	Interest income	253,955	211,469
Corporation with common ownership	Management fees	3,618,535	3,811,900
Multi-company captive	Professional and general		
	liability insurance	2,310,436	2,013,614
Retirement community with common ownership	Service availability and nursing care	1,293,941	1,582,768

Lexington Health Care Centers and East Gate Manor

Notes to Combined Financial Statements

See Independent Auditor's and Accountant's Report

Note 8. Related Parties (Continued)

A corporation affiliated through common and/or related party ownership (Affiliated Corporation) provides various management and administrative services to the Companies under a management service agreement. The agreement provides for payment of management fees based on three percent of net resident services revenue plus the Companies' proportionate share of certain accounting and administrative costs. The credit and security agreement for the revolving line of credit prevents the Companies from accruing and paying the management fees derived from a percentage of revenue. The agreement is cancelable by either party with proper notice. Management fees are included in general and administrative expenses in the combined statements of operations.

Lexington Health Care Center of Lombard has an agreement with a retirement community affiliated through common ownership to make available services of the long-term care facility to residents of the retirement community that are covered under certain residency agreements. Lexington Health Care Center of Lombard receives service availability fees and reimbursement for nursing care provided to residents from the affiliated entity which are included in resident services revenue.

Note 9. Employee Benefit Plan

The Companies maintain a 401(k) retirement plan covering all employees who meet certain eligibility requirements. Under the terms of the plan, employer contributions are at the discretion of the Board of Directors of the Companies. The expense related to the Companies' contributions to the plan was \$124,215 and \$54,175, respectively, for the years ended December 31, 2019 and 2018.

Note 10. Professional and General Liability Insurance

The Lexington Health Care Centers purchase professional and general liability insurance from a multi-company captive insurance company, North Heron Insurance Limited (North Heron) incorporated under the laws of the Cayman Islands. North Heron is owned by North Heron Investments, L.L.C. North Heron Investments, L.L.C. and the Lexington Health Care Centers have substantially the same ownership and management.

North Heron provides the Lexington Health Care Centers with claims-made insurance coverage with a \$1,000,000 per occurrence limit. Amounts paid to North Heron for professional and general liability insurance amounted to \$2,310,436 and \$2,013,614 for the years ended December 31, 2019 and 2018, respectively. The Lexington Health Care Centers have recorded a receivable from insurance recoveries of \$3,255,555 and \$3,548,958, and professional liability claims of \$3,345,574 and \$4,060,122, at December 31, 2019 and 2018, respectively. There are no known uninsured claims arising from services provided to residents.

Beginning in 2011, the Lexington Health Care Centers have been assessed amounts due to North Heron representing retrospective assessments for various policy premium years. The liability for the annual assessment, included in accrued insurance in the combined balance sheets, is due in 24 equal installments beginning on the April 1 after the fiscal year in which the liability is assessed and is summarized as follows:

Fiscal Year	Premium Years	Monthly Installment	Liability
2017	2014	14,856	\$ 54,168
2018	2013, 2014, 2015	13,357	204,862
2019	2010, 2013, 2014, 2015	20,625	494,998
			<u>\$ 754,028</u>

Lexington Health Care Centers and East Gate Manor

Notes to Combined Financial Statements

See Independent Auditor's and Accountant's Report

Note 11. Employee Health Insurance

The Companies participate in a self-insured employee health insurance plan established for the Companies and several other related entities. The Companies and all the related entities have common ownership and management.

The plan self-insures a significant portion of employee health insurance costs and limits exposure through purchased stop-loss coverage. The stop-loss coverage is \$200,000 per employee and an aggregate limit of \$12,557,498. Premium equivalents are determined for each entity participating in the plan, including the employer and employees' portions and these amounts are paid to the plan monthly. Employee health insurance expense is included in employees' health and welfare expense on the combined statements of operations and amounted to \$1,235,883 and \$987,542 for the years ended December 31, 2019 and 2018, respectively.

Note 12. Subsequent Event

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and people in a manner that is having negative effects on local, regional and global economies. On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it a pandemic. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy of the geographical area in which the Companies operate. The Companies are designated as essential businesses and remain in operation. Management believes they have taken necessary precautions to address the pandemic, however, the extent to which the coronavirus impacts the Companies' results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors management is not currently able to predict. Accordingly, management cannot presently estimate the overall operational and financial impact to the Companies, but such an impact could have a material adverse effect on the financial condition of the Companies.

The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020, in response to the COVID-19 pandemic. In addition, federal and state governments are taking a number of actions to respond to the pandemic. Management is taking steps to take advantage of funding and benefits under the CARES Act and other federal and state programs, and continues to review federal and state actions to identify what additional assistance may become available.

Supplementary Information

Lexington Health Care Centers and East Gate Manor

Combining Balance Sheet

December 31, 2019 (With Comparative Totals for 2018)

See Independent Auditor's and Accountant's Report

	Real Estate Entities	Operator Entities	Eliminations	Combined	2018
Assets					
Current assets:					
Cash	\$ 1,080,454	\$ 5,308,605	\$ -	\$ 6,389,059	\$ 2,889,625
Restricted cash	141,514	-	-	141,514	218,995
Accounts receivable, net	-	16,252,613	-	16,252,613	13,724,560
Prepaid expenses and other	250	383,910	-	384,160	1,531,193
Due from related parties	205,848	254,193	(214,550)	245,491	490,743
Total current assets	1,428,066	22,199,321	(214,550)	23,412,837	18,855,116
Property and equipment, net	17,932,435	5,598,728	-	23,531,163	23,939,665
Other assets:					
Due from related parties	3,778,216	464,151	(2,177,993)	2,064,374	4,446,711
Receivable from insurance recoveries	-	3,255,555	-	3,255,555	3,548,958
Rent receivable	21,087,007	-	(21,087,007)	-	-
	24,865,223	3,719,706	(23,265,000)	5,319,929	7,995,669
	\$ 44,225,724	\$ 31,517,755	\$ (23,479,550)	\$ 52,263,929	\$ 50,790,450
Liabilities and Stockholders' Deficit, Members' Equity and Partners' Equity					
Current liabilities:					
Accounts payable	\$ 3	\$ 5,359,000	\$ -	\$ 5,359,003	\$ 2,803,712
Current maturities of note payable	669,221	-	-	669,221	296,292
Due to third-party payor	-	669,602	-	669,602	127,814
Amounts due on advance payments	-	2,256,800	-	2,256,800	-
Residents' credit balances	-	7,989,158	-	7,989,158	6,600,000
Due to related parties	-	239,746	-	239,746	173,015
Security deposits	-	169,798	-	169,798	133,347
Accrued expenses:					
Real estate taxes	2,152,452	-	-	2,152,452	2,028,936
Compensation	-	1,728,181	-	1,728,181	1,842,917
Insurance	-	1,183,442	-	1,183,442	987,699
Interest	192,993	-	-	192,993	220,244
Other	-	199,497	-	199,497	172,967
Total current liabilities	3,014,669	19,795,224	-	22,809,893	15,386,943
Other liabilities:					
Note payable, less current maturities	30,665,944	-	-	30,665,944	32,200,912
Stockholders' and partners' notes payable	2,414,602	3,237,307	-	5,651,909	5,321,053
Accrued management fees	-	5,800,077	-	5,800,077	5,821,420
Amounts due on advance payments	-	2,256,800	-	2,256,800	-
Accrued rent payable	-	21,087,007	(21,087,007)	-	-
Professional liability claims	-	3,345,574	-	3,345,574	4,060,122
Due to related parties	62,381	2,369,999	(2,392,543)	39,837	90
	33,142,927	38,096,764	(23,479,550)	47,760,141	47,403,597
	36,157,596	57,891,988	(23,479,550)	70,570,034	62,790,540
Stockholders' deficit, members' equity and partners' equity	8,068,128	(26,374,233)	-	(18,306,105)	(12,000,090)
	\$ 44,225,724	\$ 31,517,755	\$ (23,479,550)	\$ 52,263,929	\$ 50,790,450

Lexington Health Care Centers and East Gate Manor

**Combining Balance Sheet - Real Estate Entities
December 31, 2019 (With Comparative Totals for 2018)
See Independent Auditor's and Accountant's Report**

	Sambell of Bloomingdale Limited Partnership	Lexington Health Care Systems of Lombard Limited Partnership	Lexington Health Care Systems of Orland Park Limited Partnership	Sambell of Schaumburg Limited Partnership	Samvest of Algonquin Limited Partnership	Eliminations	Combined	2018
Assets								
Current assets:								
Cash	\$ 93,523	\$ 984,378	\$ 925	\$ 800	\$ 828	\$ -	\$ 1,080,454	\$ 1,270,994
Restricted cash	-	(1,466)	109,085	45,058	(11,163)	-	141,514	218,995
Prepaid expenses and other	-	175	75	-	-	-	250	-
Due from related parties	205,848	-	-	-	-	-	205,848	14,221
Total current assets	299,371	983,087	110,085	45,858	(10,335)	-	1,428,066	1,504,210
Property and equipment, net	2,096,600	1,632,809	6,391,675	2,528,856	5,282,495	-	17,932,435	19,070,748
Due from related parties	1,118,160	2,333,394	-	134,894	276,933	(85,165)	3,778,216	6,004,593
Rent receivable	3,079,672	3,230,173	7,931,491	6,182,702	662,969	-	21,087,007	20,936,405
	4,197,832	5,563,567	7,931,491	6,317,596	939,902	(85,165)	24,865,223	26,940,998
	\$ 6,593,803	\$ 8,179,463	\$ 14,433,251	\$ 8,892,310	\$ 6,212,062	\$ (85,165)	\$ 44,225,724	\$ 47,515,956
Liabilities and Partners' Equity								
Current liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ 3	\$ -
Current maturities of note payable	100,571	115,388	179,121	125,925	148,216	-	669,221	296,292
Accrued expenses:								
Real estate taxes	137,760	207,684	827,952	710,244	268,812	-	2,152,452	2,028,936
Interest	29,002	33,275	51,657	36,315	42,744	-	192,993	220,244
Total current liabilities	267,333	356,347	1,058,730	872,484	459,775	-	3,014,669	2,545,472
Other liabilities:								
Note payable, less current maturities	4,799,225	5,531,205	8,552,648	4,706,761	7,076,105	-	30,665,944	32,200,912
Partners' notes payable	-	2,414,602	-	-	-	-	2,414,602	2,296,824
Due to related parties	59,396	10,208	24,054	-	53,888	(85,165)	62,381	417,099
	4,858,621	7,956,015	8,576,702	4,706,761	7,129,993	(85,165)	33,142,927	34,914,835
	5,125,954	8,312,362	9,635,432	5,579,245	7,589,768	(85,165)	36,157,596	37,460,307
Partners' equity	1,467,849	(132,899)	4,797,819	3,313,065	(1,377,706)	-	8,068,128	10,055,649
	\$ 6,593,803	\$ 8,179,463	\$ 14,433,251	\$ 8,892,310	\$ 6,212,062	\$ (85,165)	\$ 44,225,724	\$ 47,515,956

Lexington Health Care Centers and East Gate Manor

**Combining Balance Sheet - Operator Entities
December 31, 2019 (With Comparative Totals for 2018)
See Independent Auditor's and Accountant's Report**

	Lexington Health Care Center of Bloomingdale, Inc.	Lexington Health Care Center of Lombard, Inc.	Lexington Health Care Center of Orland Park, Inc.	Lexington Health Care Center of Schaumburg, Inc.	East Gate Manor of Algonquin, LLC	Eliminations	Combined	2018
Assets								
Current assets:								
Cash	\$ 560,696	\$ 2,032,027	\$ 1,104,853	\$ 679,600	\$ 931,429	\$ -	\$ 5,308,605	\$ 1,618,631
Accounts receivable, net	2,503,137	3,508,635	5,514,391	3,128,278	1,598,172	-	16,252,613	13,724,560
Prepaid expenses and other	59,138	71,507	86,982	79,943	86,340	-	383,910	1,531,193
Due from related parties	14,343	142,460	30,797	7,782	58,811	-	254,193	476,522
Total current assets	3,137,314	5,754,629	6,737,023	3,895,603	2,674,752	-	22,199,321	17,350,906
Property and equipment, net	1,051,078	1,461,103	1,312,937	1,229,764	543,846	-	5,598,728	4,868,917
Due from related parties	-	1,774,169	-	417,234	46,917	(1,774,169)	464,151	546,930
Receivable from insurance recoveries	458,627	1,485,443	1,163,332	148,153	-	-	3,255,555	3,548,958
	458,627	3,259,612	1,163,332	565,387	46,917	(1,774,169)	3,719,706	4,095,888
	\$ 4,647,019	\$ 10,475,344	\$ 9,213,292	\$ 5,690,754	\$ 3,265,515	\$ (1,774,169)	\$ 31,517,755	\$ 26,315,711
Liabilities and Stockholders' Deficit and Members' Equity								
Current liabilities:								
Accounts payable	\$ 910,472	\$ 1,014,884	\$ 1,817,554	\$ 1,282,873	\$ 333,217	\$ -	\$ 5,359,000	\$ 2,803,712
Due to third-party payor	4,181	15,737	-	649,684	-	-	669,602	127,814
Amounts due on advance payments	505,000	893,700	258,650	349,450	250,000	-	2,256,800	-
Residents' credit balances	1,555,667	2,030,880	2,675,141	1,400,470	327,000	-	7,989,158	6,600,000
Due to related parties	40,235	44,476	-	138,630	16,405	-	239,746	173,015
Security deposits	-	-	-	-	169,798	-	169,798	133,347
Accrued expenses:								
Compensation	278,015	423,057	470,799	429,159	127,151	-	1,728,181	1,842,917
Insurance	174,877	334,216	365,726	296,292	12,331	-	1,183,442	987,699
Other	42,952	47,974	31,041	58,030	19,500	-	199,497	172,967
Total current liabilities	3,511,399	4,804,924	5,618,911	4,604,588	1,255,402	-	19,795,224	12,841,471
Other liabilities:								
Stockholders' and partners' notes payable	-	540,308	2,196,463	500,536	-	-	3,237,307	3,024,229
Accrued management fees	(32,337)	-	3,025,390	2,806,807	217	-	5,800,077	5,821,420
Amounts due on advance payments	505,000	893,700	258,650	349,450	250,000	-	2,256,800	-
Accrued rent payable	3,079,672	3,230,173	7,931,491	6,182,702	662,969	-	21,087,007	20,936,405
Professional liability claims	472,702	1,504,588	1,220,131	148,153	-	-	3,345,574	4,060,122
Due to related parties	501,459	743,426	394,171	2,192,292	312,820	(1,774,169)	2,369,999	1,687,803
	4,526,496	6,912,195	15,026,296	12,179,940	1,226,006	(1,774,169)	38,096,764	35,529,979
	8,037,895	11,717,119	20,645,207	16,784,528	2,481,408	(1,774,169)	57,891,988	48,371,450
Stockholders' deficit and members' equity	(3,390,876)	(1,241,775)	(11,431,915)	(11,093,774)	784,107	-	(26,374,233)	(22,055,739)
	\$ 4,647,019	\$ 10,475,344	\$ 9,213,292	\$ 5,690,754	\$ 3,265,515	\$ (1,774,169)	\$ 31,517,755	\$ 26,315,711

Lexington Health Care Centers and East Gate Manor

Combining Statement of Operations

Year Ended December 31, 2019 (With Comparative Totals for 2018)

See Independent Auditor's and Accountant's Report

	Real Estate Entities	Operator Entities	Eliminations	Combined		Per Resident Day	
				2019	2018	2019	2018
Revenue:							
Net resident services:							
Routine	\$ -	\$ 77,178,439	\$ -	\$ 77,178,439	\$ 69,612,953	\$ 355.92	\$ 334.82
Pharmacy	-	1,736,199	-	1,736,199	1,619,092	8.01	7.79
Medical equipment and supplies	-	1,304,655	-	1,304,655	925,832	6.02	4.45
Therapy:							
Physical	-	8,999,285	-	8,999,285	7,678,210	41.50	36.93
Occupational	-	8,389,749	-	8,389,749	6,832,328	38.69	32.86
Speech	-	2,187,938	-	2,187,938	1,797,040	10.09	8.64
Other	-	726,023	-	726,023	743,969	3.35	3.58
	-	100,522,288	-	100,522,288	89,209,424	463.58	429.07
Contractual allowances	-	(34,211,556)	-	(34,211,556)	(28,762,849)	(157.77)	(138.34)
	-	66,310,732	-	66,310,732	60,446,575	305.81	290.73
Other:							
Rental of land, building and equipment	5,254,920	-	(5,254,920)	-	-	-	-
Interest	339,176	65,227	(75,591)	328,812	434,801	1.52	2.09
Other	-	1,145,981	-	1,145,981	1,080,785	5.28	5.20
	5,594,096	1,211,208	(5,330,511)	1,474,793	1,515,586	6.80	7.29
	5,594,096	67,521,940	(5,330,511)	67,785,525	61,962,161	312.61	298.02
Expenses:							
Professional care	-	33,759,873	-	33,759,873	30,917,620	155.69	148.71
Dietary	-	4,764,048	-	4,764,048	4,056,677	21.97	19.51
Housekeeping and laundry	-	2,083,720	-	2,083,720	2,165,352	9.61	10.41
Building and utilities	1,898,410	2,500,218	-	4,398,628	4,252,043	20.29	20.45
Employees' health and welfare	-	4,586,866	-	4,586,866	3,949,594	21.15	19.00
General and administrative	2,248	12,964,848	-	12,967,096	12,440,949	59.80	59.84
Provision for uncollectible accounts receivable	-	2,508,007	-	2,508,007	2,050,048	11.57	9.86
Assessment fees and provider tax	-	1,609,958	-	1,609,958	1,582,695	7.42	7.61
Depreciation	1,138,314	556,741	-	1,695,055	1,706,582	7.82	8.21
Rental of land, building and equipment	-	5,254,920	(5,254,920)	-	-	-	-
Other	-	65,583	-	65,583	62,155	0.30	0.30
	3,038,972	70,654,782	(5,254,920)	68,438,834	63,183,715	315.62	303.90
Net income (loss) from operations	2,555,124	(3,132,842)	(75,591)	(653,309)	(1,221,554)	(3.01)	(5.88)
Other (expense) income:							
Interest	(3,047,583)	(299,217)	75,591	(3,271,209)	(3,134,940)	(15.09)	(15.08)
Realized gain on termination of interest rate swap liability	-	-	-	-	390,647	-	1.88
Loss on early retirement of debt	-	-	-	-	(288,338)	-	(1.39)
	(3,047,583)	(299,217)	75,591	(3,271,209)	(3,032,631)	(15.09)	(14.59)
Net loss	\$ (492,459)	\$ (3,432,059)	\$ -	\$ (3,924,518)	\$ (4,254,185)	\$ (18.10)	\$ (20.47)

Lexington Health Care Centers and East Gate Manor

Combining Statement of Operations - Real Estate Entities
Year Ended December 31, 2019 (With Comparative Totals for 2018)
See Independent Auditor's and Accountant's Report

	Sambell of Bloomingdale Limited Partnership	Lexington Health Care Systems of Lombard Limited Partnership	Lexington Health Care Systems of Orland Park Limited Partnership	Sambell of Schaumburg Limited Partnership	Samvest of Algonquin Limited Partnership	Eliminations	Combined	2018
Revenue:								
Rental of land, building and equipment	\$ 611,877	\$ 788,416	\$ 1,549,588	\$ 1,345,315	\$ 959,724	\$ -	\$ 5,254,920	\$ 5,955,837
Interest	85,241	330,526	-	-	-	(76,591)	339,176	320,063
	<u>697,118</u>	<u>1,118,942</u>	<u>1,549,588</u>	<u>1,345,315</u>	<u>959,724</u>	<u>(76,591)</u>	<u>5,594,096</u>	<u>6,275,900</u>
Expenses:								
Building and utilities	103,312	197,092	642,442	701,096	254,468	-	1,898,410	1,891,733
General and administrative	147	1,608	71	247	175	-	2,248	9,314
Depreciation	191,333	140,202	312,756	246,090	247,933	-	1,138,314	1,169,774
	<u>294,792</u>	<u>338,902</u>	<u>955,269</u>	<u>947,433</u>	<u>502,576</u>	<u>-</u>	<u>3,038,972</u>	<u>3,070,821</u>
Net income from operations	<u>402,326</u>	<u>780,040</u>	<u>594,319</u>	<u>397,882</u>	<u>457,148</u>	<u>(76,591)</u>	<u>2,555,124</u>	<u>3,205,079</u>
Other (expense) income:								
Interest	(460,558)	(627,633)	(816,732)	(542,813)	(676,438)	76,591	(3,047,583)	(2,809,449)
Realized gain on termination of interest rate swap liability	-	-	-	-	-	-	-	390,647
Loss on early retirement of debt	-	-	-	-	-	-	-	(288,338)
	<u>(460,558)</u>	<u>(627,633)</u>	<u>(816,732)</u>	<u>(542,813)</u>	<u>(676,438)</u>	<u>76,591</u>	<u>(3,047,583)</u>	<u>(2,707,140)</u>
Net income (loss)	<u>\$ (58,232)</u>	<u>\$ 152,407</u>	<u>\$ (222,413)</u>	<u>\$ (144,931)</u>	<u>\$ (219,290)</u>	<u>\$ -</u>	<u>\$ (492,459)</u>	<u>\$ 497,939</u>

Lexington Health Care Centers and East Gate Manor

Combining Statement of Operations - Operator Entities
Year Ended December 31, 2019 (With Comparative Totals for 2018)
See Independent Auditor's and Accountant's Report

	Lexington Health Care Center of Bloomingdale, Inc.	Lexington Health Care Center of Lombard, Inc.	Lexington Health Care Center of Orland Park, Inc.	Lexington Health Care Center of Schaumburg, Inc.	East Gate Manor of Algonquin, LLC	Eliminations	Combined	2018
Revenue:								
Net resident services:								
Routine	\$ 14,262,539	\$ 16,182,777	\$ 23,104,176	\$ 18,824,115	\$ 4,804,832	\$ -	\$ 77,178,439	\$ 69,612,953
Pharmacy	311,888	237,434	501,291	685,586	-	-	1,736,199	1,619,092
Medical equipment and supplies	197,888	191,057	346,383	569,327	-	-	1,304,655	925,832
Therapy:								
Physical	1,321,672	1,615,185	4,280,114	1,782,314	-	-	8,999,285	7,678,210
Occupational	1,259,686	1,327,302	4,188,240	1,614,521	-	-	8,389,749	6,832,328
Speech	229,982	377,033	1,211,502	369,421	-	-	2,187,938	1,797,040
Other	113,266	113,558	249,719	249,647	(167)	-	726,023	743,969
	17,696,921	20,044,346	33,881,425	24,094,931	4,804,665	-	100,522,288	89,209,424
Contractual allowances	(6,056,333)	(6,486,136)	(12,724,042)	(8,945,045)	-	-	(34,211,556)	(28,762,849)
	11,640,588	13,558,210	21,157,383	15,149,886	4,804,665	-	66,310,732	60,446,575
Other:								
Interest	4,219	8,995	10,051	4,435	37,527	-	65,227	114,738
Other	15,043	1,070,953	12,847	22,908	24,230	-	1,145,981	1,080,785
	19,262	1,079,948	22,898	27,343	61,757	-	1,211,208	1,195,523
	11,659,850	14,638,158	21,180,281	15,177,229	4,866,422	-	67,521,940	61,642,098
Expenses:								
Professional care	6,167,697	7,304,216	11,006,125	8,332,910	948,925	-	33,759,873	30,917,620
Dietary	838,405	997,047	1,061,800	1,029,201	837,595	-	4,764,048	4,056,677
Housekeeping and laundry	389,728	482,500	540,640	516,948	153,904	-	2,083,720	2,165,352
Building and utilities	455,829	518,617	579,150	515,000	431,622	-	2,500,218	2,360,310
Employees' health and welfare	917,897	1,048,964	1,116,816	1,208,861	294,328	-	4,586,866	3,949,594
General and administrative	2,609,529	2,943,582	3,484,455	2,936,195	991,087	-	12,964,848	12,431,635
Provision for uncollectible accounts receivable	321,082	810,176	951,931	322,857	101,961	-	2,508,007	2,050,048
Assessment fees and provider tax	315,366	403,603	478,511	412,478	-	-	1,609,958	1,582,695
Depreciation	130,282	154,602	94,038	114,758	63,061	-	556,741	536,808
Rental of land, building and equipment	611,878	788,416	1,549,588	1,345,315	959,723	-	5,254,920	5,955,837
Other	14,651	17,081	17,412	16,439	-	-	65,583	62,155
	12,772,344	15,468,804	20,880,466	16,750,962	4,782,206	-	70,654,782	66,068,731
Net (loss) income from operations	(1,112,494)	(830,646)	299,815	(1,573,733)	84,216	-	(3,132,842)	(4,426,633)
Interest expense	1,780	28,315	158,498	78,812	31,812	-	299,217	325,491
Net (loss) income	\$ (1,114,274)	\$ (858,961)	\$ 141,317	\$ (1,652,545)	\$ 52,404	\$ -	\$ (3,432,059)	\$ (4,752,124)

Lexington Health Care Centers and East Gate Manor

Schedule of Expenses - Operator Entities

Year Ended December 31, 2019

See Independent Auditor's and Accountant's Report

	Lexington Health Care Center of Bloomingdale, Inc.	Lexington Health Care Center of Lombard, Inc.	Lexington Health Care Center of Orland Park, Inc.	Lexington Health Care Center of Schaumburg, Inc.	East Gate Manor of Algonquin, LLC	Combined		Per Resident Day	
						2019	2018	2019	2018
Professional care:									
Direct care	\$ 3,187,471	\$ 3,758,454	\$ 4,389,070	\$ 4,388,386	\$ 630,494	\$ 16,353,875	\$ 14,801,465	\$ 75.42	\$ 68.26
Other salaries:									
Nursing administrative	980,654	1,030,735	1,440,989	1,270,231	173,834	4,896,443	4,749,404	22.58	21.90
Activities	120,929	177,847	177,870	181,199	106,767	764,612	716,660	3.53	3.31
Social service	133,135	183,951	174,346	198,131	-	689,563	715,331	3.18	3.30
Rehabilitation	114,643	88,153	176,370	173,225	-	552,391	583,120	2.55	2.69
	4,536,832	5,239,140	6,358,645	6,211,172	911,095	23,256,884	21,565,980	107.26	99.46
Registry	112,698	253,349	375,272	-	-	741,319	1,044,213	3.42	4.82
Pharmacy	266,515	204,618	466,220	419,860	-	1,357,213	1,389,855	6.26	6.41
Medical equipment and supplies	37,457	41,967	50,888	47,157	-	177,469	125,515	0.82	0.58
Therapy:									
Physical	311,253	470,277	1,127,881	427,239	-	2,336,650	2,007,140	10.78	9.26
Occupational	239,338	352,005	1,066,159	333,016	-	1,990,518	1,595,546	9.18	7.36
Speech	47,963	102,387	293,177	77,487	-	521,014	459,617	2.40	2.12
Managed care	215,479	174,935	546,857	281,783	-	1,219,054	847,190	5.62	3.91
Other medical services	70,513	121,554	195,736	134,308	-	522,111	505,148	2.41	2.33
Medical and program consultants	52,558	106,686	177,914	96,344	-	433,502	347,911	2.00	1.60
Medical directors	52,200	57,050	49,500	46,750	-	205,500	113,000	0.95	0.52
Nursing and medical supplies	212,843	163,860	267,443	240,925	7,988	893,059	811,951	4.12	3.74
Activities	12,048	16,388	30,433	16,869	29,842	105,580	104,554	0.49	0.48
	6,167,697	7,304,216	11,006,125	8,332,910	948,925	33,759,873	30,917,620	155.71	142.59
Dietary:									
Salaries	285,984	199,811	302,655	205,933	291,100	1,285,483	2,242,010	5.93	10.34
Food	129,321	143,005	257,963	155,920	154,872	841,081	1,598,803	3.88	7.37
Supplies	20,780	22,544	42,258	25,741	21,011	132,334	215,864	0.61	1.00
Dietary contract services	402,320	631,687	458,924	641,607	370,612	2,505,150	-	11.55	-
	838,405	997,047	1,061,800	1,029,201	837,595	4,764,048	4,056,677	21.97	18.71
Housekeeping and laundry:									
Salaries	172,855	183,943	283,641	177,700	66,285	884,424	1,683,626	4.08	7.76
Registry	-	-	-	-	-	-	154,286	-	0.71
Supplies	19,264	20,464	37,759	26,583	13,220	117,290	247,545	0.54	1.14
Scavenger and exterminating	17,431	17,158	26,364	20,469	13,496	94,918	79,895	0.44	0.37
Housekeeping contract services	180,178	260,935	192,876	292,196	60,903	987,088	-	4.55	-
	389,728	482,500	540,640	516,948	153,904	2,083,720	2,165,352	9.61	9.98
Building and utilities:									
Salaries	45,557	49,344	49,027	48,511	42,929	235,368	225,390	1.09	1.04
Repairs	198,676	147,469	162,963	183,619	198,020	890,747	879,659	4.11	4.06
Utilities	205,223	313,504	357,155	274,570	177,411	1,327,863	1,211,273	6.12	5.59
Insurance	6,373	8,300	10,005	8,300	13,262	46,240	43,988	0.21	0.20
	455,829	518,617	579,150	515,000	431,622	2,500,218	2,360,310	11.53	10.89

Lexington Health Care Centers and East Gate Manor

Schedule of Expenses - Operator Entities (Continued)

Year Ended December 31, 2019

See Independent Auditor's and Accountant's Report

	Lexington Health Care Center of Bloomingdale, Inc.	Lexington Health Care Center of Lombard, Inc.	Lexington Health Care Center of Orland Park, Inc.	Lexington Health Care Center of Schaumburg, Inc.	East Gate Manor of Algonquin, LLC	Combined		Per Resident Day	
						2019	2018	2019	2018
Employees' health and welfare:									
Payroll taxes	\$ 427,807	\$ 493,119	\$ 603,990	\$ 551,336	\$ 139,646	\$ 2,215,898	\$ 2,225,457	\$ 10.22	\$ 10.26
Insurance:									
Workers' compensation	163,619	180,964	227,144	216,730	65,707	854,164	527,437	3.94	2.43
Medical and other	271,979	308,860	227,847	350,981	76,216	1,235,883	987,542	5.70	4.55
Employees' retirement plan	31,184	28,610	16,862	39,433	8,126	124,215	54,175	0.57	0.25
Other	23,308	37,411	40,973	50,381	4,633	156,706	154,983	0.72	0.71
	917,897	1,048,964	1,116,816	1,208,861	294,328	4,586,866	3,949,594	21.15	18.20
General and administrative:									
Salaries	881,490	993,000	1,150,715	970,500	448,979	4,444,684	4,427,664	20.50	20.42
Computer services	128,572	142,351	157,446	151,860	30,827	611,056	503,972	2.82	2.32
Employee recruitment	11,961	11,190	10,960	11,509	-	45,620	36,448	0.21	0.17
Dues, subscriptions and licenses	20,526	16,308	27,453	21,098	12,435	97,820	93,105	0.45	0.43
Insurance	571,211	667,027	879,943	710,842	41,304	2,870,327	2,305,879	13.24	10.63
Management fees	717,624	817,529	1,004,955	848,616	229,811	3,618,535	3,811,900	16.69	17.58
Marketing	37,531	27,381	31,336	41,861	59,445	197,554	164,252	0.91	0.76
Office	50,174	55,315	56,149	47,087	42,627	251,352	245,874	1.16	1.13
Professional fees	155,822	80,990	117,873	73,606	62,291	490,582	529,653	2.26	2.44
Telephone	26,461	24,763	28,426	29,438	39,878	148,966	142,356	0.69	0.66
Other	8,157	107,728	19,199	29,778	23,490	188,352	170,532	0.87	0.79
	2,609,529	2,943,582	3,484,455	2,936,195	991,087	12,964,848	12,431,635	59.80	57.33
Provision for uncollectible accounts receivable	321,082	810,176	951,931	322,857	101,961	2,508,007	2,050,048	11.57	9.45
Assessment fees and provider tax	315,366	403,603	478,511	412,478	-	1,609,958	1,582,695	7.42	7.30
Depreciation	130,282	154,602	94,038	114,758	63,061	556,741	536,808	2.57	2.48
Rental of land, building and equipment	611,878	788,416	1,549,588	1,345,315	959,723	5,254,920	5,955,837	24.23	27.47
Other	14,651	17,081	17,412	16,439	-	65,583	62,155	0.30	0.29
	12,772,344	15,468,804	20,880,466	16,750,962	4,782,206	70,654,782	66,068,731	325.86	304.69

Lexington Health Care Centers and East Gate Manor

Combined Balance Sheet - By Location

December 31, 2019

See Independent Auditor's and Accountant's Report

	Bloomingtondale	Lombard	Orland Park	Schaumburg	Algonquin
Assets					
Current assets:					
Cash	\$ 654,219	\$ 3,016,405	\$ 1,105,778	\$ 680,400	\$ 932,257
Restricted cash	-	(1,466)	109,085	45,058	(11,163)
Accounts receivable, net	2,503,137	3,508,635	5,514,391	3,128,278	1,598,172
Prepaid expenses and other	59,138	71,682	87,057	79,943	86,340
Due from related parties	220,191	142,460	30,797	7,782	58,811
Total current assets	3,436,685	6,737,716	6,847,108	3,941,461	2,664,417
Property and equipment, net	3,147,678	3,093,912	7,704,612	3,758,620	5,826,341
Other assets:					
Receivable from insurance recoveries	458,627	1,485,443	1,163,332	148,153	-
Due from related parties	1,118,160	4,107,563	-	552,128	323,850
	1,576,787	5,593,006	1,163,332	700,281	323,850
	\$ 8,161,150	\$ 15,424,634	\$ 15,715,052	\$ 8,400,362	\$ 8,814,608
Liabilities and Stockholders' Deficit, Members' Equity and Partners' Equity					
Current liabilities:					
Accounts payable	\$ 910,472	\$ 1,014,884	\$ 1,817,554	\$ 1,282,873	\$ 333,220
Current maturities of note payable	100,571	115,388	179,121	125,925	148,216
Due to third-party payor	4,181	15,737	-	649,684	-
Amounts due on advance payments	505,000	893,700	258,650	349,450	250,000
Residents' credit balances	1,555,667	2,030,880	2,675,141	1,400,470	327,000
Due to related parties	40,235	44,476	-	138,630	16,405
Security deposits	-	-	-	-	169,798
Accrued expenses:					
Compensation	278,015	423,057	470,799	429,159	127,151
Insurance	174,877	334,216	365,726	296,292	12,331
Real estate taxes	137,760	207,684	827,952	710,244	268,812
Interest	29,002	33,275	51,657	36,315	42,744
Other	42,952	47,974	31,041	58,030	19,500
Total current liabilities	3,778,732	5,161,271	6,677,641	5,477,072	1,715,177
Other liabilities:					
Stockholders' and partners' notes payable	-	2,954,910	2,196,463	500,536	-
Note payable, less current maturities	4,799,225	5,531,205	8,552,648	4,706,761	7,076,105
Accrued management fees	(32,337)	-	3,025,390	2,806,807	217
Amounts due on advance payments	505,000	893,700	258,650	349,450	250,000
Professional liability claims	472,702	1,504,588	1,220,131	148,153	-
Due to related parties	560,855	753,634	418,225	2,192,292	366,708
	6,305,445	11,638,037	15,671,507	10,703,999	7,693,030
	10,084,177	16,799,308	22,349,148	16,181,071	9,408,207
Stockholders' deficit, members' equity and partners' equity	(1,923,027)	(1,374,674)	(6,634,096)	(7,780,709)	(593,599)
	\$ 8,161,150	\$ 15,424,634	\$ 15,715,052	\$ 8,400,362	\$ 8,814,608

The combined balance sheets by location include each respective operating entity and corresponding real estate entity for that location.

Lexington Health Care Centers and East Gate Manor

Combined Statement of Operations - By Location

Year Ended December 31, 2019

See Independent Auditor's and Accountant's Report

	Bloomingtondale	Lombard	Orland Park	Schaumburg	Algonquin
Revenue:					
Net resident services:					
Routine	\$ 14,262,539	\$ 16,182,777	\$ 23,104,176	\$ 18,824,115	\$ 4,804,832
Pharmacy	311,888	237,434	501,291	685,586	-
Medical equipment and supplies	197,888	191,057	346,383	569,327	-
Therapy:					
Physical	1,321,672	1,615,185	4,280,114	1,782,314	-
Occupational	1,259,686	1,327,302	4,188,240	1,614,521	-
Speech	229,982	377,033	1,211,502	369,421	-
Other	113,266	113,558	249,719	249,647	(167)
	<u>17,696,921</u>	<u>20,044,346</u>	<u>33,881,425</u>	<u>24,094,931</u>	<u>4,804,665</u>
Contractual allowances	(6,056,333)	(6,486,136)	(12,724,042)	(8,945,045)	-
	<u>11,640,588</u>	<u>13,558,210</u>	<u>21,157,383</u>	<u>15,149,886</u>	<u>4,804,665</u>
Other:					
Interest	89,460	339,521	10,051	4,435	37,527
Other	15,043	1,070,953	12,847	22,908	24,230
	<u>104,503</u>	<u>1,410,474</u>	<u>22,898</u>	<u>27,343</u>	<u>61,757</u>
	<u>11,745,091</u>	<u>14,968,684</u>	<u>21,180,281</u>	<u>15,177,229</u>	<u>4,866,422</u>
Expenses:					
Professional care	6,167,697	7,304,216	11,006,125	8,332,910	948,925
Dietary	838,405	997,047	1,061,800	1,029,201	837,595
Housekeeping and laundry	389,728	482,500	540,640	516,948	153,904
Building and utilities	559,141	715,709	1,221,592	1,216,096	686,090
Employees' health and welfare	917,897	1,048,964	1,116,816	1,208,861	294,328
General and administrative	2,609,676	2,945,190	3,484,526	2,936,442	991,262
Provision for uncollectible accounts receivable	321,082	810,176	951,931	322,857	101,961
Assessment fees and provider tax	315,366	403,603	478,511	412,478	-
Depreciation	321,615	294,804	406,794	360,848	310,994
Other	14,651	17,081	17,412	16,439	-
	<u>12,455,258</u>	<u>15,019,290</u>	<u>20,286,147</u>	<u>16,353,080</u>	<u>4,325,059</u>
Net (loss) income from operations	<u>(710,167)</u>	<u>(50,606)</u>	<u>894,134</u>	<u>(1,175,851)</u>	<u>541,363</u>
Interest expense	462,338	655,948	975,230	621,625	708,250
Net loss	<u>\$ (1,172,505)</u>	<u>\$ (706,554)</u>	<u>\$ (81,096)</u>	<u>\$ (1,797,476)</u>	<u>\$ (166,887)</u>

The combined statements of operations by location include each respective operating entity and corresponding real estate entity for that location.

Lexington Health Care Centers and East Gate Manor

**Schedule of Occupancy Data (unaudited)
Years Ended December 31, 2019 and 2018
See Independent Auditor's and Accountant's Report**

	Lexington Health Care Center of Bloomington, Inc.	Lexington Health Care Center of Lombard, Inc.	Lexington Health Care Center of Orland Park, Inc.	Lexington Health Care Center of Schaumburg, Inc.	Lexington Health Care Center Totals
2019:					
Licensed capacity, beds	166	224	275	214	879
Resident days available	60,590	81,760	100,375	78,110	320,835
Resident days occupied	43,370	51,192	65,895	56,383	216,840
Percent of occupancy	71.6 %	62.6 %	65.6 %	72.2 %	67.6 %
Average number of beds occupied	119	140	181	154	594
2018:					
Licensed capacity, beds	166	224	275	214	879
Resident days available	60,590	81,760	100,375	78,110	320,835
Resident days occupied	42,440	52,373	58,532	54,565	207,910
Percent of occupancy	70.0 %	64.1 %	58.3 %	69.9 %	64.8 %
Average number of beds occupied	116	143	160	149	570
	East Gate Manor of Algonquin, LLC				
	2019	2018			
Average available units	119	119			
Average units occupied	105	108			
Average occupancy percentage	88.4 %	90.7 %			